

# BUDGET LETTER

NUMBER: 11-10

SUBJECT: 2012-13 BUDGET PREPARATION GUIDELINES

DATE ISSUED: JULY 5, 2011

REFERENCES:

SUPERSEDES: BL 10-11

TO: Agency Secretaries  
 Agency Information Officers  
 Department Directors  
 Departmental Budget Officers  
 Departmental Accounting Officers  
 Departmental Chief Information Officers  
 Department of Finance Budget Staff  
 Department of Finance Accounting Staff

FROM: DEPARTMENT OF FINANCE

**NOTE: Each department with a capital outlay program—please provide a copy of this budget letter (BL) to your facility manager.**

The Department of Finance (Finance) is issuing this technical BL to assist departments in planning for the 2012-13 budget process. This technical BL contains budget preparation instructions relevant to departments at this time, including revised forms and instructions for the preparation of regular Budget Change Proposals (BCPs). Other technical instructions are more valuable when issued closer to the time that specific budget documents are prepared, such as past year Schedule 10s. Technical instructions of that nature will be issued at the appropriate time (Attachment I).

| <b><i>Deadlines and Deliverables for Budget Documents due to Department of Finance, unless otherwise noted</i></b> |   |
|--|---|
| <b>July 18, 2011</b>   | To request funding for information technology projects, departments are required to submit Feasibility Study Reports, Special Project Reports, or equivalent documents to the California Technology Agency. |
| <b>August 1, 2011</b>  | Capital Outlay Budget Change Proposals (COBCP) and Five-Year Infrastructure Plans for 2012-13.  |
| <b>August 19, 2011</b>   | Request approval for late BCP submittal.  |
| <b>September 1, 2011</b>   | COBCP adjustments needed to conform to Enacted 2011-12 Budget and 2011 Five-year Infrastructure Plan.   |
| <b>September 12, 2011</b>  | Regular BCPs, including Budget Bill language changes. <b>NOTE: Revised BCP forms must be used for all 2012-13 BCPs.</b>   |
| <b>September 12, 2011</b>  | BCPs requesting funds for legislation chaptered through August 31. If enacted after August 31, then BCPs must be submitted <b>no later than 10 calendar days after the chaptering of the bill.</b>          |
| <b>September 12, 2011</b>  | All changes related to reorganizations/departmental program structure   |

***Deadlines for Financial Reporting Requirements (2010-11 year-end financial statements) due to State Controller's Office, unless otherwise noted***

|                          |   |
|--------------------------|---|
| <b>August 1, 2011</b>    | General Fund, feeder funds (0081, 0084, 0085, 0086, 0089, 0090, 0091, 0094, and 0097), and economic uncertainty funds (0374, 0375, and 0377). |
| <b>August 22, 2011</b>   | All other funds   |
| <b>August 22, 2011</b>   | Report of Bank/Savings and Loan Association Account Outside the Treasury System, Report 14, due to the State Treasurer's Office               |
| <b>August 22, 2011</b>   | Report of Expenditures of Federal Funds, Report 13, due to Finance, Fiscal Systems and Consulting Unit  |
| <b>September 1, 2011</b> | Generally accepted accounting principles information, excluding independently audited financial statements.                                   |
| <b>October 3, 2011</b>   | Independently audited financial statements.   |

This BL provides instructions and information on the following topics.

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## **I. GENERAL INFORMATION**

The guidelines in this BL apply primarily to BCPs related to state operations and local assistance. See BL 11-09 for Capital Outlay Budget Change Proposals (COBCPs) guidelines. Unless specifically identified as COBCPs, the term BCP refers to state operations and local assistance proposals, not capital outlay; however, this BL does include components that require identification for potential facility or capital outlay costs related to state operations and local assistance BCPs.

**Budget Development Guidelines:** This BL provides certain guidelines for the technical/procedural preparation of the 2012-13 Governor's Budget.

**Budget Preparation Calendar:** A brief budget preparation calendar is provided to assist departments with the overall planning of the budget preparation process (Attachment II). More detailed general budget timetables are available in the Budget Analyst Guide (BAG) under Budget Calendars at: <http://www.dof.ca.gov/fisa/bag/budgetcalendars.htm>.

**Price Letter Standards:** Price Letter Standards for 2012-13 are currently targeted for distribution in late August 2011. The Department of General Services (DGS) recently published an updated version of its web-based 2010-11 Price Book which lists both the 2010-11 and 2011-12 rates for its services. To receive Price Book update e-mail notifications, visit the DGS registration webpage at: <http://www.dgs.ca.gov/ofs/Resources/Pricebook/subscribe.aspx>.

**State Administrative Manual (SAM):** The budgeting chapter (Chapter 6000) of SAM is a valuable source of information on the technical aspects of the budget and legislative processes. SAM Chapter 6000 can be accessed on the Internet at: <http://sam.dgs.ca.gov/default.htm>.

**Timeliness and Confidentiality:** As always, strict adherence to all schedules and due dates stipulated in this memo and in the attachments is required. **Until release of the Governor's Budget, please remember that all information contained in budget documents used during the Governor's Budget development process is strictly confidential.**

## II. BUDGET CHANGE PROPOSALS

### Revised Forms

BCP forms and instructions have been revised. All BCPs for 2012-13 must use the revised forms dated May 2011. BCPs submitted on the old forms will be returned without consideration. Significant changes in the forms include the following:

#### Cover Sheet

- Eliminated check boxes used to identify whether a request was one-time, resulted in future savings, etc. (These elements have been captured in other sections of the BCP forms.)
- Updated "Department of Finance Use Only" section to include check boxes to designate whether a BCP is a "Policy" or "Workload Budget" proposal based on the provisions of Government Code section 13308.05.

#### Fiscal Detail Sheets

- Created separate tabs for each page of the Fiscal Detail Sheets: Fiscal Summary, Personal Services Detail, and Supplemental Information.
- Added field to capture salary savings impact to Staff Benefits on the Fiscal Summary.
- Condensed first page of the Fiscal Detail Sheets to incorporate both State Operations and Local Assistance.
- Incorporated Special Items of Expense within the Operating Expenses and Equipment section of the Fiscal Summary.
- Revised Supplemental Information page to include positions associated with one-time/limited term costs, full-year cost adjustments, and future savings. Modified years of data to be presented based on the type of adjustment.
- Added an optional page, Special Fund Detail, that may be used for BCPs that are funded by multiple special funds.

### BCP Narrative – Analysis of Problem

- Added two tables in the Background/History Section to provide commonly requested data such as expenditure and position history for the past five years and workload metrics, if applicable.
- Eliminated the Facility/Capital Outlay Considerations section and incorporated that information into a new section titled Supplemental Information.
- Renamed the Timetable section to Implementation Plan to better reflect the content and details that are required as part of the BCP.
- Added a Supplemental Information section to be completed only when relevant, or as part of justification for specialized elements of the proposal. If applicable, this section will include supporting justification for various special items of expense associated with the proposal, including facility, equipment, and contract costs.

### Instructions

- Revised the instructions to clearly define expectations for BCP content. An introductory paragraph is included for each section to summarize the information required for each section of the BCP narrative. Please take time to thoroughly review these new guidelines before writing and submitting your BCPs.

### **Where to Get the New BCP Form**

The latest version (May 2011) of the narrative portion of the BCP form is available in a Word document. The BCP fiscal detail sheets are available in an Excel spreadsheet. In an effort to reduce errors in calculations, the fiscal detail sheets are no longer available in a Word format. Departments may obtain BCP forms and instructions from the Finance BL website at: [http://www.dof.ca.gov/html/budletr/forms/fin\\_form.htm](http://www.dof.ca.gov/html/budletr/forms/fin_form.htm). Hard copy BCP submittals are still required. Do not submit BCPs electronically.

### **Timeframe**

BCPs, including requests for Budget Bill language changes, must be submitted to Finance on the revised forms, no later than **September 12, 2011**, or by an earlier date established by the Finance Program Budget Manager. [**Exception:** BCPs for chaptered legislation and late requests approved by Finance (see below)]. All major COBCPs and the five-year infrastructure plans for 2012-13 are due by **August 1, 2011**, including minor COBCPs and Capital Outlay Concept Papers (COCs), per BL 11-09. Adjustments that are needed to conform to the enacted 2011-12 Budget, required changes to the escalation of construction costs, or the 2011 Five-Year Infrastructure Plan are due by **September 1, 2011**.

BCPs requesting funding for information technology (IT) projects require California Technology Agency (formerly OCIO) approval of a Feasibility Study Report (FSR), Special Project Report (SPR), or equivalent document. Pursuant to Government Code section 11545, et. seq., (Chapter 183, Statutes of 2007 (Senate Bill 90)), the Technology Agency is responsible for approving and overseeing IT projects. Therefore, departments are required to submit electronic copies of FSRs, SPRs, or equivalent documents to the Technology Agency. Per *State Administrative Manual* section 4928, each state agency must also submit copies to the Legislative Analyst's Office and, as applicable, to the Department of General Services. Departments are required to submit FSRs, SPRs, or equivalent documents to the Technology Agency no later than **July 18, 2011** (unless otherwise exempted by the Technology Agency), in order for Finance to consider any associated funding requests. Comprehensive information for IT project reporting, including instructions to assist departments in meeting Technology Agency reporting

requirements, can be found in the *Statewide Information Management Manual* located at [http://www.cio.ca.gov/Government/IT\\_Policy/SIMM.html](http://www.cio.ca.gov/Government/IT_Policy/SIMM.html).

BCPs requesting funds for legislation chaptered through August 31, 2011, must be submitted no later than September 12, 2011. However, for bills enacted after August 31, BCPs must be submitted **no later than 10 calendar days after the chaptering of the bill**. No BCPs for chaptered legislation will be accepted if submitted after the applicable time limit.

The Agency Secretary, or Departmental Director for those departments that do not report to an Agency Secretary, must approve any request for late BCP submittal. These late requests must be submitted in writing to **Todd Jerue**, Chief Operating Officer, Department of Finance, no later than **August 19, 2011**. Requests for late submittal are limited to those issues involving the most exceptional circumstances.

### **General Guidelines and Procedures for BCPs**

1. **Must fully conform to budget policies to be provided in the upcoming Budget Policy Budget Letter.**
2. **All information contained in BCPs is strictly confidential until release of the Governor's Budget.** Each department is responsible for maintaining the confidentiality of its respective BCPs until approved for release (usually simultaneously with the release of the Governor's Budget in January). Disapproved BCPs and disapproved versions of BCPs remain confidential working papers and must not be released. Responses to any requests for confidential budget documents under the Public Records Act or pursuant to discovery requests must be coordinated with Finance legal staff.
3. **The appropriate Agency Secretary must approve BCPs (including COBCPs).** Departments proposing changes which involve other departments or other departments' funds must obtain and attach written concurrence and/or comments on the proposed change from the affected department(s) Director(s) or designee(s) prior to submitting the BCP to Finance. **The BCP form requires each department's Chief Information Officer to review and sign all BCPs with IT components prior to submission to Finance.** BCPs that do not have the appropriate approval and, when applicable, concurrence and/or comments, will be returned without consideration.
4. **BCPs must be submitted in duplicate**, except that BCPs requesting funds for IT, auditing and/or accounting positions, which propose increased facility operations expenditures (lease costs), related capital outlay costs, or that impact other departments must be submitted in quadruplicate.
5. **Funding for chaptered legislation that does not contain a specific appropriation must be requested in a BCP.**
6. BCPs requesting funds from a special or bond fund must be accompanied by an updated fund condition statement or by a statement of fund availability from the department administering the fund (if different from the requesting department). Bond-funded BCPs must also cite the specific bond measure and relevant chapters and sections for proposed funding (i.e., "bond pot").

7. **Departments must provide a well-written, complete BCP.** Departments must not rely on providing subsequent back-up material to respond to Finance's inquiries to provide needed justification for the request. There simply is not sufficient time to explain and refine every proposal through a question and answer process. BCPs that are incomplete by virtue of failing to provide relevant, critical, and substantiating information in written form may be returned to departments without analysis at the discretion of Finance. When applicable, departments' BCPs must include any proposed provisional, trailer bill, reversion, or reappropriation language. In the case of provisional and trailer bill language, the BCP must effectively justify the need for this language and the programmatic implications associated with it. For proposed reappropriation and reversion language, the BCP must clearly identify the relevant budget acts, items, and funds proposed for reappropriation and reversion, as well as the appropriate timeframes for encumbrance and liquidation.
8. **BCPs must include all appropriate documentation, workload statistics, and code citations or they will be returned without consideration.** Do not use type fonts smaller than Arial 11 point or comparable for the "Analysis of Problem". Each BCP must be submitted in hard copy on the prescribed form. Note that the fiscal detail for personal services and operating expenses **must** be provided as shown on the BCP form and **not** in the abbreviated format that appears in the Governor's Budget. The budget year-plus-one fiscal data **must** be provided. If a proposed change is funded through redirection, both the positive and negative changes must be reflected on separate fiscal detail sheets. BCPs proposing redirections must include a statement of the immediate and future impact on the program from which the resources will be redirected. When submitting a BCP that affects more than one program or element within programs, provide a summary of the overall fiscal detail and attach a **separate** fiscal detail sheet for each program/element affected. All program information must be consistent with the display in the Governor's Budget.
9. BCPs must be assigned an individual priority number and address a single issue. (Priority must be indicated by sequential numbering, with No. 1 being the highest priority.) Multiple issues may not be consolidated as a single priority. However, BCPs that address a single issue, but impact multiple programs, divisions, or units, may be consolidated.
10. Responses to all items identified in the BCP form are required. BCPs must describe the methods of calculation and sources of data for all numbers used, either in Section F "Analysis of All Feasible Alternatives" in the "Analysis of Problem", or as a separate attachment. Departments are encouraged to consult with their Finance Budget Analysts on analytical approaches, data sources, and content of the written BCPs prior to submission to Finance.
11. BCPs requesting new positions and/or programs must include both a narrative explanation and fiscal detail addressing the impact these new positions/programs will have on the facility needs of the department in Section H "Supplemental Information" in the "Analysis of Problem". **BCPs that do not include this information will not be considered.**
12. Section D "Justification" in the "Analysis of Problem" must include a description of how the proposal is consistent with the department's strategic plan by identifying the objective(s) the BCP will support. The justification must articulate the compelling need for this proposal and its intended objectives.

13. Each BCP must include a discussion of alternative ways (other than the one being proposed and the status quo) to address the identified problem in Section F, "Analysis of All Feasible Alternatives." **Submittals that do not meet these criteria will be rejected.**
14. Attachment III provides a list of designated lead agencies responsible for the coordination of specified subject areas/programs.

### III. POSITIONS RELATED GUIDELINES

**Requests for New Positions**—The Administration's policy is to continue to contain the growth in authorized positions. Requests for new positions generally will be limited to redirections of existing positions. When requesting new positions, departments are required to clearly establish the long and short-term benefits to be gained by increasing personnel as opposed to other possible alternatives (e.g., automation, workload readjustments). Other alternatives that have been considered must also be identified and analyzed. BCPs requesting new positions must effectively justify why a redirection is not possible. If new positions are approved, positions will be budgeted at the mid-step, unless evidence is provided justifying a higher level for hard-to-fill classifications or based on the department's hiring practices. Finance must approve the establishment of any position above mid-step of the respective salary range.

### IV. CAPITAL OUTLAY BUDGET CHANGE PROPOSALS

#### Major Capital Outlay Budget Change Proposals (COBCPs)

Technical revisions to departments' 2012-13 COBCPs submitted by August 1, 2011, will be accepted by Finance through **September 1, 2011**, for conforming action to the enacted 2011-12 Budget. BL 11-09 provides more specific instructions and due dates for submitting five-year infrastructure plans, COBCPs, and COCPs.

Changes for any other reason may be deferred to the 2013-14 capital outlay budget cycle. The capital outlay process is described in SAM sections 6801, et seq. and is available at: <http://sam.dgs.ca.gov/TOC/6000/6801.htm>.

In some cases, revised COBCPs submitted to conform to the enacted 2011 Budget Act may necessitate amendments to departmental five-year infrastructure plans, which are required to be submitted with the Governor's Budget pursuant to Government Code section 13100 et. seq. Detailed information on the submission of five-year infrastructure plans and COBCPs for the 2012-13 fiscal year is provided in BL 11-09. In addition, procedures manuals for completing departmental five-year infrastructure plans in accordance with these requirements are available on Finance's website at <http://www.dof.ca.gov/fisa/bag/bagtoc.htm>, Capital Infrastructure Plan Procedures.

#### Minor COBCPs

COBCPs for minor capital outlay projects for 2012-13 must be detailed by specific projects with cost and scope information and submitted to Finance no later than **August 1, 2011 (send two copies to Finance and two copies to DGS)**. The dollar limit for each minor capital outlay project is \$600,000 for most agencies and \$777,000 for departments within the Resources Agency, per Public Contract Code sections 10108 and 10108.5, respectively.

**Note:** The minor capital outlay limit for departments not within the Resources Agency was recently increased from \$400,000 to \$600,000. The limit for all minor capital outlay projects is now indexed to the California Construction Cost Index and will be adjusted biannually by Finance.

## V. INFORMATION TECHNOLOGY

### Line-item display in the Governor's Budget

Although "information technology" is not displayed as a separate line in the Expenditure by Category, departments must report these costs in a manner that distinguishes the department's internal costs from consolidated data center costs in the Supplementary Schedule of Operating Expenses and Equipment (Form DF-300).

Departments are required to inform the Office of Technology Services (OTech) of: (1) all activities and any significant changes in IT services anticipated; and (2) the IT equipment that will be included in their budget, but obtained from the data center. Failure on the part of the department to inform the OTech could have an adverse impact on OTech's ability to support the services or the procurement.

## VI. FINANCIAL REPORTING REQUIREMENTS

The following schedule applies to the 2010-11 year-end financial statements for submittal to the State Controller's Office (SCO):

**August 1, 2011** General Fund, feeder funds (0081, 0084, 0085, 0086, 0089, 0090, 0091, 0094, and 0097), and economic uncertainty funds (0374, 0375, and 0377).

**August 22, 2011** All other funds.

**September 1, 2011** Generally accepted accounting principles (GAAP) information, excluding independently audited financial statements.

**October 3, 2011** Independently audited financial statements.

The Report of Bank/Savings and Loan Association Account Outside the Treasury System, Report 14, must be submitted to the State Treasurer's Office on or before August 22, 2011.

**New for fiscal year 2010-11:** The Report of Expenditures of Federal Funds, Report 13, must be submitted to Finance, Fiscal Systems and Consulting Unit, on or before August 22, 2011.

Departments are responsible for both the accuracy and timeliness of the year-end reports. **Government Code section 12461.2 authorizes the SCO to withhold any or all operating funds from a department if that department fails to submit complete and accurate financial reports within 20 days of the prescribed due dates.**

Therefore, departments should plan carefully to meet year-end reporting deadlines. To assist with this process, CALSTARS departments are reminded of the availability of sample task lists, checklists, year-end training sessions, and individualized assistance through the CALSTARS Hotline: phone (916) 327-0100 or e-mail: [hotline@dof.ca.gov](mailto:hotline@dof.ca.gov).

The CALSTARS Training Schedule can be accessed at:

<http://www.dof.ca.gov/html/calstars/training/training.htm> and the Procedures Manual at:



<http://www.dof.ca.gov/html/calstars/procedure/procedure.htm>. Departments may also contact Finance's Fiscal Systems and Consulting Unit for assistance at (916) 324-0385 or via e-mail at: [fscuhotline@dof.ca.gov](mailto:fscuhotline@dof.ca.gov).

## **VII. PRO RATA ASSESSMENTS AND SWCAP ALLOCATIONS**

Pro Rata assessments and SWCAP (Statewide Cost Allocation Plan) allocations will be available by **early October 2011**. Guidelines will be provided in a separate BL. For an overview of Pro Rata and SWCAP, please refer to the Finance Pro Rata and SWCAP website at: <http://www.dof.ca.gov/fisa/proswcap/proswcap.htm>.

## **VIII. PLANNING ESTIMATE ADJUSTMENTS**

### **General**

Departments must provide a concise and brief explanation and provide a breakdown of each adjustment for Planning Estimate (PE) lines with "(SPECIFY)". Each PE line is not limited to one adjustment; numerous/separate adjustments can be posted to each PE line.

### **Initial Planning Estimates**

Initial PEs (Finance computer-generated) for currently authorized program levels (exclusive of capital outlay and continuous appropriations) for all funds will be issued by Finance in early September. Finance will be responsible for developing PEs in consultation with departmental staff. Direction for policy adjustments will be issued as information becomes available. PEs may include the following adjustments as appropriate.

### **CURRENT YEAR ONLY**

#### **Unanticipated Costs**

In the event that contingencies or emergencies arise that would result in a 2011-12 funding shortage, the department must notify its Finance Budget Analyst immediately, prior to obligating such funds. Requests for funding for unanticipated costs must be in writing, and in accordance with items 9840 of the 2011 Budget Act. Additional information is available in the BAG at <http://www.dof.ca.gov/fisa/bag/deficien.htm>.

Adjustments should be made to the current year PE for all the unanticipated costs that will be displayed in the Governor's Budget.

### **CURRENT YEAR AND BUDGET YEAR**

#### **Appropriation Balances Carried Forward (Carryover Appropriation Expense)**

Appropriation balances are to be carried forward from a prior year when funds are still available and program requirements continue. Carryovers from 2010-11 to 2011-12 initially may be estimated, but must ultimately agree with the year-end financial statements submitted to SCO. Carryovers into 2011-12 that are not expected to be expended and are still available must be included as carryovers into 2012-13 unless a reversion item is to be included in the 2012 Budget Bill. In the case of capital outlay programs, where many appropriations are available for three years, the department must estimate expenditures over the three-year period. In some cases, an appropriation

may be carried over into future years (2013-14 and after). Departmental staff and Finance staff must work with SCO to resolve any differences in authorized carryover estimates to ensure that the budget and SCO's records agree.

### **Chartered Legislation**

If funding is requested for chartered legislation containing a specific appropriation, the funding can be included in the PE (on Line 0550 Financial Legislation with Appropriation). If funding is requested for chartered legislation which **DOES NOT** contain a specific appropriation, but for which there is a cost, a BCP is required.

### **Employee Compensation**

There are 21 collective bargaining units that represent state employees. All 21 bargaining units have contracts ratified by their membership and the Legislature. Any salary or benefit adjustments provided in current agreements will be addressed in a forthcoming BL, which will provide instructions on any required planning estimate adjustments.

### **Employer Retirement Contribution Rates—(Public Employees' Retirement System)**

A forthcoming BL will provide instructions on planning estimate changes required for changes to the state's contribution rate for retirement.

### **Limited-Term Positions, Expiring Programs and Continuously Vacant Positions**

PEs and initial budget spreadsheets must be adjusted for limited-term positions/expiring programs (PE line 0250) and continuously vacant positions (PE line 0300). Adjustments must include reductions for both Personal Services and Operating Expenses and Equipment, where appropriate.

### **One-Time Costs**

PEs must be adjusted downward for the impact of previously budgeted one-time costs (use PE line 0350). A brief description of the adjustment **must** be included.

### **Transfers**

Expenditure transfers between items of appropriation **within a fund** (e.g., from a state operations item to a local assistance item or between departments) must be reflected separately on the PE using the "Transfers To" and "Transfers From" lines (i.e., lines 0600 and 0650). Expenditure transfers **between funds** should not be reflected on these two PE lines. These transfers should be reflected on other PE lines such as 0700 (Miscellaneous Baseline Adjustment), 0550 (Financial Legislation with Appropriation), etc., depending on the authority for the transfer. All transfers must be specifically authorized in the Budget Act, special legislation, or other statute. The appropriate authority must be cited in the description of the adjustment.

Revenue transfers must not be reflected on the PE. Revenue transfers are to be reflected on the appropriate Schedule 10R (Supplementary Schedule of Revenues and Transfers).

### **Miscellaneous Baseline (Workload Budget) Adjustments**

Use PE line 0700 (Miscellaneous Baseline Adjustments) only if the adjustments do not appropriately fit into any other category on the PE Worksheet (e.g., Pro Rata adjustments). A brief/concise description of the adjustment **must** be included. Do not combine various adjustments into one entry. Finance Program Budget Managers will determine whether the adjustments are baseline (workload budget) or policy.

### **BUDGET YEAR ONLY**

#### **Price Increase for Operating Expenses and Equipment**

Government Code section 13308.05 authorizes a price increase workload budget adjustment. However, as stated in Government Code section 11019.10, except as provided in the Budget Act and implementing statutes, no automatic increases shall be provided to the University of California, California State University, the state courts, or to state agency operations, including, but not limited to, annual price increases to state departments and agencies. Therefore, departments seeking price increase funding for 2012-13 must request this through a BCP, consistent with the guidelines to be provided in the 2012-13 Budget Policy Budget Letter.

If a BCP is submitted for this purpose, the base that departments are to use for purposes of calculating any price increase adjustment is total operating expenses and equipment expenditures authorized in the 2011 Budget Act adjusted for major one-time expenditures, the amount budgeted for recoveries of statewide general administrative costs (Pro Rata and SWCAP), and any items that have price increases already built-in (e.g., inflation factors incorporated into certain information technology projects). Departments may then apply to this base amount the U.S. state and local implicit deflator. The U.S. state and local implicit deflator will be provided by the end of September 2011. If departments can justify that another methodology may be more appropriate in calculating the budget year price increase, they should provide full justification in the BCP.

#### **Merit Salary Adjustment**

Government Code section 13308.05 also includes funding for Merit Salary Adjustments (MSAs) in their definition of a workload budget. However, savings result when positions return to the bottom step after staff promotions or departures, which are then available to pay for the costs of MSAs. Therefore, departmental budgets already include sufficient funding for this purpose, and no workload budget adjustments will be made.

#### **Full-Year Costs of Programs Initiated in the Current Year**

The full-year cost of programs authorized to begin after July 1 in the 2011-12 Budget may be included as workload budget adjustments for 2012-13 (PE line 0400 Full Year Cost of New/Expanding Programs) at the discretion of the Finance Program Budget Manager. Increases which are greater than the amounts previously documented in BCPs or other documents must be fully justified through the BCP process.

### **Enrollment/Caseload/Population Adjustments**

All enrollment, caseload or population adjustments may be considered either policy (PE lines 1000 Miscellaneous Policy Adjustments or 1200 Other Budget Change Proposals) or workload budget (PE line 0850 Enrollment/Caseload/Population) changes. While these adjustments are generally workload budget changes, many of them could be considered policy changes. All such changes must be forwarded to and cleared through the Finance Program Budget Manager. If approved, these adjustments will be reflected in the PEs.

### **Other BCPs**

If approved, all BCPs that are not enrollment, caseload, population, cost-of-living adjustment, or financial legislation are reflected on PE Line 0800 (Workload BCPs) if deemed workload or on PE Line 1200 (Other BCPs) if deemed policy. In the case of capital outlay projects (new and continuing), those BCPs should be entered on PE Line 0950 (Capital Outlay Projects).

## **IX. MISCELLANEOUS**

### **Budget Bill Appropriations Format**

All budgets must be submitted in the program format. Any exceptions require Finance Program Budget Manager's approval.

### **Reorganizations**

All changes to departmental program structure must be submitted by **September 12, 2011**, and approved by Finance prior to being reflected in the budget spreadsheet. When considering reorganizations, departments are referred to Article 1, commencing with section 11150 and Article 7.5, commencing with section 12080 of the Government Code, as well as section 0130 of SAM.

If you have any questions, please contact your Finance Budget Analyst.

/s/ Veronica Chung-Ng

Veronica Chung-Ng  
Program Budget Manager

Attachments

**ADDITIONAL TECHNICAL GUIDELINES TO BE ISSUED LATER**

| <b>Subject Title</b>   | <b>Target Release Date</b> | <b>Last Instructions Issued</b> | <b>SAM/Internet Reference</b>  |
|--|----------------------------|---------------------------------|--|
| Budget Policy  | July                       | BL 10-23                        |  |
| Initial Past Year Schedule 10s   | July                       | BL 10-16                        |  |
| Preparation of Governor's Budget   | July                       | BL 10-17                        | <a href="http://www.dof.ca.gov/html/budlettr/forms/fin_form.htm">http://www.dof.ca.gov/html/budlettr/forms/fin_form.htm</a>  |
| Salaries and Wages Spreadsheet (Authorized Positions and Cost Estimates)               | July                       | BL 10-19                        | 6415, et seq., 6429, 6448, 6521  |
| Employer Retirement Contribution Rate Adjustment                                       | July                       | BL 11-07                        |  |
| Vacant Position Reestablishment  | July                       | BL 10-18                        |  |
| Price Letter   | August                     | BL 10-25                        | <a href="http://www.dgs.ca.gov/">http://www.dgs.ca.gov/</a>  |
| Employee Compensation  | August                     | BL 10-33                        |  |
| Initial Schedule 10Rs (Supplementary Schedule of Revenues and Transfers)               | August                     | BL 10-22                        |  |
| Past, Current, and Budget Year Schedule 10s (Supplemental Schedules of Appropriations) | September                  | BL 10-30                        | 6839   |
| SWCAP/Pro Rata   | October                    | BL 10-27                        | 8752-8758<br><a href="http://www.dof.ca.gov/FISA/PROSWCAP/Proswcap.htm">http://www.dof.ca.gov/FISA/PROSWCAP/Proswcap.htm</a> |
| Submission of Budget Materials to the Legislature and the Legislative Analyst's Office | December                   | BL 10-39                        |  |

## Annual Budget Preparation Calendar\*

|    | July   | August  | September  | October   | November  | December  | January   |
|----|--|---|--|---|---|---|---|
| 1  | Additional technical budget development instructions issued by Finance           | Major and minor capital outlay requests, including five-year infrastructure plans, to Finance           | Completed Salaries/Wages Spreadsheets (Schedules 7A/8) to Finance              |   | Finalization of Governor's proposed initiatives   |   | Updated Supplementary Schedules to Finance                  |
| 2  |  |   | Updated past year and initial current and budget year Sch 10s to depts         |   |   |   |   |
| 3  |  |   |  |   |   |   |   |
| 4  | Budget policy to depts.  | Employee compensation instructions to depts.  | Schedule 10Rs to Finance   | Pro Rata assessments/ SWCAP allocations to depts. |   |   |   |
| 5  |  |   | Budget spreadsheets to depts.  |   | Finance Director's budget decision hearings   | Revenue forecast  |   |
| 6  | Employer retirement contribution rate adjustment.                                |   |  |   |   |   |   |
| 7  |  | Schedule 10Rs to depts. Price Letter to depts/price book available.                                     |  |   |   |   |   |
| 8  |  |   |  |   |   |   |   |
| 9  |  |   |  |   |   |   |   |
| 10 | Initial past year Schedule 10s and Controller's Schedule 8 tabulations to depts. | Depts complete non-General Fund year-end financial statements, Salaries and Wages spreadsheet to depts. | All BCPs (including policy initiatives) and budget bill changes to Finance     |   |   | Governor's final briefing by Finance  | Governor's Budget and Budget Bill to the Legislature        |
| 11 |  |   |  |   |   |   |   |
| 12 |  |   |  |   |   |   |   |
| 13 |  |   |  |   |   |   |   |
| 14 | Depts submit IT proposals (FSRs, SPRs) to the Technology Agency                  |   |  |   |   |   | Updated Supplementary Schedules and BCPs to the Legislature |
| 15 |  |   |  |   |   |   |   |
| 16 |  |   |  |   |   |   |   |
| 17 |  |   |  |   |   |   |   |
| 18 |  |   |  |   |   |   |   |
| 19 |  |   |  |   |   |   |   |
| 20 |  |   |  |   |   |   |   |
| 21 | Depts complete fiscal assessment and development of budget requests              | Updated past year Sch 10s to Finance.   | Finance analyzes all BCPs and conducts budget hearings with Agencies and depts |   | Update/turnaround of budget spreadsheet/schedules to reflect Finance Director's decisions | Finalization of all budget documents to reflect Governor's decisions            |   |
| 22 |  |   |  |   |   | Budget spreadsheet/narrative finalized  |   |
| 23 |  |   |  |   |   |   |   |
| 24 | Depts complete General Fund year-end financial statements                        | Initial planning estimates to depts.  |  |   |   |   |   |
| 25 |  |   |  |   |   |   |   |
| 26 |  |   |  |   |   | Verification of Budget Bill   |   |
| 27 |  |   | BCPs for unfunded newly enacted (chaptered) legislation to Finance             |   |   |   |   |
| 28 |  |   |  |   |   |   |   |
| 29 |  |   |  |   |   |   |   |
| 30 |  |   |  |   |   | Development and finalization of Governor's Budget Summary ("A" Pages) narrative |   |
| 31 |  |   |  |   |   |   |   |

**\* IMPORTANT:** THIS CALENDAR REFLECTS GENERIC TIME FRAMES AND IS PROVIDED TO TARGET CRITICAL "CUT OFF" PHASES IN THE ANNUAL BUDGET DEVELOPMENT SCHEDULE. IT IS A SUMMARY TIMETABLE ONLY. FOR SPECIFIC DEADLINES, PLEASE REFER TO THE APPROPRIATE SECTION IN THIS BUDGET LETTER AND/OR SUBSEQUENT BUDGET DEVELOPMENT INSTRUCTIONS AS THEY BECOME AVAILABLE. MORE DETAILED INFORMATION IS AVAILABLE AT THE FINANCE BUDGET ANALYST GUIDE (BAG) AT <http://www.dof.ca.gov/FISA/BAG/BUDGETCALENDARS.HTM>. CAPITAL OUTLAY PROPOSALS FOLLOW A SEPARATE TIMELINE.

## COORDINATION OF INFORMATION

For BCPs dealing with the topics listed below, lead agencies or departments have been designated. Departments seeking funding for programs in these areas must coordinate the development of all related budget components, including BCPs, with the appropriate lead agency or department.

| <b>Topic</b>   | <b>Lead Department</b>                              | <b>Contact</b>        | <b>Phone</b> |
|--|---|-----------------------|--------------|
| AIDS   | Department of Public Health<br>/Office of AIDS      | Christine Nelson      | 449-5896     |
| Mental Health Services Fund (3085)   | Finance   | Carla Castañeda       | 445-6423     |
| Toxics   |   |                       |              |
| Hazardous Waste Control Account (Fund 0014)  | Toxic Substances Control                            | Aaron Robertson       | 327-1192     |
| Toxic Substances Control Account (0557)  |   |                       |              |
| Unified Program Account (0028)   | Cal-EPA   | Jim Bohan             | 327-5097     |
| Proposition 65 (Safe Drinking Water and Toxic<br>Enforcement Act of 1986)                      | Office of Environmental<br>Health Hazard Assessment | Margie Leary          | 327-8044     |
| Environmental License Plate Fund (Fund 0140)   | Resources Agency                                    | Pat Kemp              | 653-9709     |
| Perinatal Services   | Alcohol and Drug Programs                           | Michael<br>Cunningham | 322-7012     |
| Temporary Assistance for Needy Families (TANF)<br>Block Grant, including CalWORKs and TANF MOE | Social Services                                     | Brian Dougherty       | 654-0713     |
| Proposition 99 (Tobacco Tax and Health Protection<br>Act of 1988)                              | Finance   | Bruce Lee             | 445-6423     |
| Public Resources Account (Fund 0235)   | Resources Agency                                    | Pat Kemp              | 653-9709     |
| Proposition 98 (Classroom Instructional<br>Improvement and Accountability Act)                 | Finance   | Nicolas<br>Schweizer  | 445-0328     |
| Proposition 117 (California Wildlife Protection Act<br>of 1990)                                | Resources Agency                                    | Pat Kemp              | 653-9709     |
| Motor Vehicle Account (Fund 0044)  | Finance   | Kathryn Amann         | 322-2263     |
| Petroleum Violation Escrow Account (Fund 0853)   | Energy Commission                                   | Kyle Emigh            | 654-4396     |
| Employee Compensation/Employer Retirement<br>Contribution Rate Adjustments                     | Finance   | Koreen Martone        | 445-3274     |
| State Penalty Fund (0903)  | Finance   | Jennifer Osborn       | 445-8913     |
| Natural Resources Infrastructure Fund (0383)   | Resources Agency                                    | Pat Kemp              | 653-9709     |
| Health Insurance Portability and Accountability<br>Act (HIPAA)                                 | Health and Human Services<br>Agency                 | Elaine Scordakis      | 651-8066     |